

SECURITY INFORMATION  
CONFIDENTIAL

C 28502

INTELLIGENCE 21

CONFIDENTIAL

Brazil

Explanation and Analysis of New Exchange Regulations

Rio de Janeiro

13 Oct 53

10 Oct 53

[REDACTED]	
OO/C NO.	
ORR NO.	
DAS NO.	
OCI NO.	
STATE	ARMY
NAVY	AIR

H-2456

25X1A2g

9

25X1X6

1. New Brazilian exchange regulations were issued on 10 Oct 53 as Instruction #70 by the Council of Superintendency of Money and Credit (SUMOC). [Available on loan from the CIA Library is a copy of Instruction #70.] These regulations contain radical changes from those previously in force, eliminating the powers of CEKIM, except to pass on the correctness of the declared value of imported merchandise, and making the right to all import licenses and to buying the corresponding exchange subject to public bidding, except for government necessities and possibly for vital necessities, such as fuels, wheat, and newsprint. The importer pays for such right in addition to the price for the exchange itself, the beneficiary being the government collected through the Bank of Brazil. It makes the closing or purchase of foreign exchange coincident with the securing of the licenses, Brazil paying in advance for its imports.

#### Exportations

2. As in the past, all export bills must be sold to the Bank of Brazil, or to banks qualified to deal in exchange, at the official rate (today Cr 13.36), but with this important innovation. The coffee exporter receives a bonus, in addition: Cr 5.00 for each dollar of coffee exported, and exporters of other products receive Cr 10.00 for each dollar of value exported. These bonuses are recuperated by the Bank of Brazil as the result of the sale to the highest bidder of the rights to import licenses and exchange. As in the past, the proceeds from the sale of these export bills are re-passed by the purchasing banks to the Bank of Brazil.

CONFIDENTIAL

SECURITY INFORMATION

CONFIDENTIAL

RETURN TO CIA  
LIBRARY

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

- 2 -

3. Under the past regulations, a certain amount of the coffee bills (anything over the minimum sales price of US\$68.00 per bag) and varying percentages, up to 50%, of other export bills, could be sold at the free market rate, with a view of permitting Brazilian exports to compete in the international markets, and at the same time, to act as a feeder to the free market, supplying dollars therefor, in addition to those supplied by the transfer of foreign capital and travellers' bills.
4. Apparently this was not a sufficient stimulant for exports, and has now been substituted by the above two bonuses, effected, however, within the framework of the official market, divorced entirely from the free market.
5. Exchange Law #1807 of 7 Jan 53 (an Act of Congress) in effect prohibited coffee, cotton and cocoa from being sold at other than the official rate, when it stipulated that only exports which did not represent four per cent of the total export value for the previous year could be sold at other than the official rate. The former practice of permitting a portion of these bills to be sold at the free rate was, in the opinion of many, contrary to the law. Now it might be claimed that the export bonuses granted by the new regulations are equivalent to government export bounties.
6. There has in effect been a devaluation of the official export rate from Cr 18.36 to Cr 23.36 for each dollar of coffee exported, and Cr 28.36 for each dollar of other exports. No doubt the matter was previously cleared with the International Monetary Fund, as well as the devaluation resulting from the premiums or penalties to be paid for imports, in addition to the official import rate (Cr 18.72).

#### Importations

7. The Director of Exchange is now the important official to be dealt with, as the powers of CEXIM have been drastically restricted to passing on prices, in order to prevent the padding of invoices covering importations and the correct declaration of export sales. Such padding as to imports is subject to control by the Brazilian Consul abroad when he vides the consular invoices. There may now be a tendency on the part of the foreign exporter to write down the values on imports in order to permit Brazilian importers to reduce their premium obligations, the difference being paid to the exporter through other channels.
8. The Director of Exchange will sell at public auction, to the highest bidding importer, the right to purchase exchange, referred to in Instruction #70 as the document, and by the trade in general as a certificate. The instructions say this document represents an obligation on the part of the Bank of Brazil to sell exchange to the importer corresponding to the value of the merchandise to be imported. The bidding importer is required to pay the Bank of Brazil in cruzeiros for the right to secure such an obligation. The securing of the certificate automatically entitles the importer not only to the corresponding exchange, but also to the import license for the merchandise.
9. The public bidding will be in the hands of qualified exchange brokers, and will take place at the Stock Exchange (Bolsa de Fundos Publicos), located in each state capital throughout Brazil, that in Rio de Janeiro being located at Praca 15 de Novembro 20. The first bidding will be held at 11 AM on Friday, 16 Oct 53, and will last until all of the exchange allotted by the Director of Exchange for each category for that day has been sold. The importer will not bid directly. Each importer will be represented by a qualified exchange broker, who will bid for his account. One broker may represent several importers. The bidding will be somewhat similar to that conducted on the New York Stock Exchange.

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

SECURITY INFORMATION

~~CONFIDENTIAL~~

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

- 3 -

10. There will be a minimum base of Cr 10.00 per dollar, or its equivalent in other currencies, to start each bid. This will cover the bonus for the exporters. The amount of the bid of the successful bidder must be paid partly (guarantee) to the Bolsa at the time of bidding and the balance on the day following to the Bank of Brazil, the importer receiving the certificate or obligation of the Bank of Brazil to sell him the necessary exchange and a receipt for the amount of his bid referred to herein as a premium. In reality it is a penalty imposed on the importer. In effect it represents a devaluation of the cruzeiro in a special free part (divorced from the currency free market) being a part of the official rate paid by the importer for the merchandise, in addition to that of Cr 18.72 to the dollar. The merchandise will cost the importer that amount and the premium paid by him on the Bolsa, which naturally will be passed on to the consumers.
11. The importer is required, within five days of the issuing of the certificate, to secure the license, and close the exchange, or contract for the exchange, with a bank authorized to deal in exchange, delivering to the bank the certificate and the first copy of the license. The Director has stated that the certificate will state on its face that the exchange will not be delivered to the purchaser until 120 days from its date. He requires this period within which to collect the export bills and have exchange funds ready for the importers. Each certificate will bear a notation as to the category of the merchandise to which it corresponds, with a different collar for each category, and with the number and date of the license and merchandise covered thereby entered thereon by CEXIM. Certificates will be issued in denominations of US\$1 thousand, US\$5 thousand, and US\$10 thousand. The dollar has been adopted as the standard unit of value.
12. Something approximating these certificates was adopted in the Argentine and Peru, but this is the first time public auction has been tried on such a mammoth scale.
13. The Instruction covers five categories of merchandise. Category one will include items most essential to Brazil's economy, lists two to four those not so essential, and Category five will include the non-essential or luxury items. [Available on loan from the CIA Library is a resume of these categories as printed in the Brazil Herald, 16 Oct 53.] These categories - very lengthy - have just been published in full by the press of 14 Oct 53. Translations are available. The Minister says that the luxury items may cost a premium of Cr 100.00 to the dollar. Any merchandise not included in Categories one to four falls under Category five.
14. The importer is subject to certain restrictions. One importer cannot bid for the right to purchase more than US\$10 thousand of merchandise in any one day of bidding, except with special permission of the Council. He is likewise restricted from purchasing more than a three months' supply in advance, and cannot buy more than 10 times the amount of registered capital of his company. The instructions do not further qualify this three months' supply nor what period is referred to when it restricts purchases to 10 times the registered capital. These uncertainties, as well as many others, will be the subject of further regulations to the instructions.
15. It is within the exclusive province of the Director of Exchange to assign values to each category, which will form the basis of the bidding for each category. This may be anything from zero up. The Director is naturally governed by the foreign exchange available to Brazil. Thirty per cent of the total will be reserved for governmental requirements. Only the remaining 70% will be available for imports. Since wheat is now being imported by the government, for distribution to the various private mills, it is assumed that there will be no bidding for the right to import wheat. Since the oil companies have recently made a deal with the Bank of Brazil, covering one year's supply, it is assumed that this agreement will be respected, and probably the oil companies may not for some time - it is said for three months - be required to bid for the right to import petroleum products, and this particularly since the selling price to the consumer is subject to being fixed by the National Petroleum Council.

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

SECURITY INFORMATION

~~CONFIDENTIAL~~

SECURITY INFORMATION

CONFIDENTIAL

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

- 4 -

16. Exchange quotas will be allocated for the various capitals of Brazil. Sao Paulo and Rio will receive the lion's share. Biddings will start simultaneously in each capital, but the amount of the bids (the premiums) will not be the same for each type of merchandise. This is one of the criticisms. There may be large disparities in the cost of imported merchandise at the different capitals.
17. Biddings may only be made by importers registered with the Customs, or by the class associations of importers which will reallocate same among their members.
18. Trade treaties of Brazil with various countries (Germany, the Netherlands, Japan, etc) will be respected, there being peculiarities to be observed in relation to each.
19. Today's Press, 19 Oct 53 (day of first bidding), publishes the allocations of exchange, there being sold in Rio a total of US\$6,270,000 "to be offered for import certificates from the US, Germany, Yugoslavia, Japan, Holland, Austria, Chile and Iceland", the following being samples thereof:

In relation to US imports: US\$200 thousand will be sold for prompt delivery. First category US\$60 thousand; second category US\$60 thousand; third category US\$40 thousand; fourth category US\$16 thousand; fifth category US\$4 thousand. Another amount of US\$400 thousand for imports from the US is for delivery within 120 days.

Imports from Germany are allotted US\$1,500,000.00 for prompt delivery as follows: first category (Germany) US\$600 thousand; second category (Germany) US\$450 thousand; third category (Germany) US\$300 thousand; fourth category (Germany) US\$120 thousand; fifth category (Germany) US\$30 thousand.

20. Sales of exchange for imports from other countries are treated in a similar fashion.
21. The order, as published, instructs the selling of first certificates for imports from the US in US dollars, followed by the sale of Treaty Dollars (which affects the above-mentioned countries with which Brazil has treaties), followed by certificates for other currencies, that is, dollar certificates corresponding to countries with which Brazil does not have specific treaties.
22. The Instructions [translation available in CIA Lib.] fix no limit or restrictions as to the date of importation of the merchandise. Once the importer acquires the right to import, and has closed the exchange in relation thereto, he is entitled to import it at any time he chooses. CEXIM will issue the usual license in five counterparts, one for the Brazilian Consul abroad, which is the latter's authority to issue the consular invoice, one for the local customs, one to be kept by the importer, one for FINAN and another one, the most important one, to be delivered to the Bank which sells or closes the sale for the exchange at the official rate of Cr 18.72. This one no doubt is returned to the Bank of Brazil.
23. There is one peculiar provision contained in XIV of the Instructions. Any importer who has arranged for financing by a foreign bank to furnish foreign exchange for the imported merchandise over a period of one year, is not required to bid, or pay a premium as a prerequisite to securing a license, but is required finally to liquidate in accordance with the Instructions and with this in view to sign a bond with FINAN. For example, if an importer proves that Eximbank has granted a loan for the acquisition of his merchandise, equipment, etc, he is exempt from the formalities of the regulations, but only for the period of seemingly one year. Apparently the so-called evil day for payment of the premium is extended for one year.

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

SECURITY INFORMATION

CONFIDENTIAL

SECURITY INFORMATION  
CONFIDENTIAL  
CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

- 5 -

24. Item XIV is not as clear as it might be. We think that such an importer will eventually pay some sort of a premium to be fixed by some future regulation. Since the liquidation is postponed for one year, such importers may not be obligated in this respect, since undoubtedly Congress will have clarified the entire situation in the meantime and enacted the corresponding legislation.

#### Capitalization of Imports

25. The Instructions (XVI) exempt from the regime instituted thereunder, the importation of equipment, which is to be utilized for productive purposes, provided it comes in as capital. In other words, the regulations do not permit merchandise for consumption purposes to be so capitalized. It restricts such capital to bens de natureza e cobertura capital, ie - equipment for manufacturing or productive purposes, which does not have the right to official exchange. It will be capitalized naturally subject to mutual agreement between the stockholders of the importing company. Whatever they agree upon will be utilized for such purpose. They may be guided by the invoice value; the real foreign value; the free market value; the official market value; or any value that they, the stockholders, agree upon. Imports of such equipment are subject to authorization of the Superintendent but not subject to bidding or the payment of premiums. Such authorizations will be granted with an annotation thereon that the importation is not entitled to exchange, ie to official exchange. The equipment is imported as capital.

26. Licenses issued prior to new Regime will be handled and liquidated in accordance with the regulations in force at the time they were issued. We understand that it will take some time to secure exchange for these prior licenses, except to the extent that they will have been liquidated under the Eximbank loan.

#### Free Currency Market

27. Brazil's previous regime which created this free market, restricted its operations to the ingress and egress of capital and returns thereon, travellers' checks and other personal requirements, although it did permit, in the discretion of the Exchange Control (BUBOC, authority for Instructions #70 of 9 Oct 53) of certain import and export transactions. The latter transactions, however, have now been eliminated and placed within the framework of the official market with its bonuses for exports, and premiums for imports, the existing free market being now restricted exclusively to capital transactions. There are in effect four different markets: (a) the so-called official market; (b) the bonus markets for exports; (c) the free bidding market for imports; and (d) the free currency market.
28. No bank transactions of any volume have been reported in the currency market since 10 Oct 53, date of announcement of the new regime, except today 19 Oct 53 when City Bank reports a sale of US\$20 thousand at 50. There have been a few offers of dollars for sale. Their owners are apparently waiting until they can secure more cruzeiros than are at present being offered. Naturally, there are more cruzeiros desiring to get out than there are dollars available. It has been predicted (Brazil Herald) that the free market rate may go to Cr 100.00 to the dollar, or even exceed this amount, depending upon the necessity of cruzeiros to get out. The US Consulate was reported a few days back as having requested Cr 75.00 per dollar for US\$2 consular visas.
29. Such weakening of the cruzeiro (although in a way artificial) will naturally have its psychological effect, and may eventually result in a fifth market, some official rate being established for a certain category of capital coming in and a certain category of cruzeiros going out. The law permits the Executive to suspend the free market depending upon the gravity of the situation. Brazilians desiring to travel abroad, or with commitments abroad, will certainly protest these high rates to secure foreign funds. No one can foretell just what will happen to this free currency market.

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

CONFIDENTIAL

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

- 6 -

Legality of Measure

30. This may or may not be of any particular importance in view of the transitory nature of the regulations. While the law requires both export and import licenses and lodges discretion as to the granting of same with the Exchange Control, there is no legal provision permitting bonuses or premiums except indirectly through the legally established free market and Aranha has now taken exports and imports out of the free market.
31. The Minister states that the present instructions are of an experimental nature, to endure for three months; that a message will shortly be submitted to Congress requesting legislation along the line of the Instruction, thereby indirectly admitting that they require legal sanction. The premium to be paid by the importer in effect represents a tax or a penalty for importation. It is tantamount to extra customs duties. The administration is not authorized to impose such collections without authority in law, ie an Act of Congress. So says the Brazilian Constitution. Where is the law which authorizes the collection of a penalty or premium from the importer, a portion of which is to be transferred as a bounty or bonus to the exporter and the remainder as a credit to agriculture?
32. The law (Article 8 of Exchange Law #1807 of 1953) also prohibits the granting of licenses, whether for exports or imports, where there is a direct or indirect vinculation (link) between exportation and importation. Where is the law which grants the Bank of Brazil (Government) such a proprietary right in the selling of exchange as to authorize it to collect for the privilege of buying it? These are embarrassing questions, but who is there to raise them in times of stress, when such instructions are presumed to be for the common good? Could it be the consuming public who will now pay higher prices for the imported product? Will some importer attempt to secure a restraining order?
33. Senator Plinio Pompeu when interviewed on the subject stated that he thought "that the system established by Congress (only last 26 Sep 53) which extended the license regime, was more efficient, for various reasons, than that set up by the Minister of Finance."
34. Deputy Aliomar Baleeiro of the UDN (Opposition Party) has requested the presence of the Minister before Congress "to explain why he refuses to carry out the law, but institutes in lieu thereof a program of his own, thereby prejudicing instead of assisting the deflationary rhythm announced by him (the Minister)".
35. The Act of Congress which originally authorized the institution of the license regime was recently extended by Congress to continue to be effective up until 31 December of the present year 1953. This act also contains important legislation in relation to the system. For example, it continues the full jurisdiction of CEXIM in relation thereto; provides certain conditions for the refusal or granting of licenses, as well as for the life thereof, and in respect of modification of the licenses once issued. It sets up a special commission charged with the granting of licenses, and an appeal from their decision to the Superintendency of Money and Credit (SUMOC). Instructions #70 make no reference whatsoever to this law. They are issued as though such a law (#1991 of 26 Sep 53 published in the Diario Oficial of 26 Sep 53) never existed.
36. It will be recalled that when this law extending the effect of the regime, which was to expire on 30 Sep 53, was being debated, many Congressmen objected thereto. They desired to entirely eliminate CEXIM and the import license system. One was Senator Alencastro Guimaraes. The Minister of Finance wrote a letter to him, undertaking in effect to adopt the ideas of the Senator provided the latter ceased his objections and withdrew his amendments, which the Senator did.

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

SECURITY INFORMATION  
CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

- 7 -

37. The Minister has publicly stated that he "could not stand by and see the Brazilian economic ship flounder without taking some steps to save it"; that the present instructions are the best he can do and that he takes the entire responsibility for the same; that he trusts that Congress will understand all of this and will enact appropriate legislation prior to the end of the present year 1953, supporting his program. He admits that "he is taking profits from the avaricious importers and giving them as a bounty to the deserving exporters". No one can appreciate better than he, a prominent lawyer, as well as an eminent statesman - one of Brazil's most resourceful - that a Minister, without even the signature of the President of the Republic, cannot impose premiums or grant bounties, without authority from Congress.
38. The Minister says that the experience gained through the operation of the new instructions will assist in the preparation of the new law. He stated that he was in favor of doing away with the 20% Treasury notes, which represents delay payments on 20% of export bills for 120 days, but he had no power to do so. Shortly a request will be made to Congress for their revocation. (Hence apparently 80% of the export bills will only be received by the exporters as in the past, the remaining 20% within 120 days). The Minister added, "We are in a situation...of solving all of our past due commitments by this coming December" (excepting naturally Brinbank loans and similar obligations. He refers to the commercial backlog). He stresses that the new system will not grant benefits "to persons, firms or organizations, but simply to the imported products, based on necessity".
39. Its objective, according to the Minister, is: (a) to stop demoralization and corruption under the previous unpopular CEXIM regime; (b) ensure that Brazil only buys within its paying capacity, by establishing a pay as you go system; (c) permit Brazilian exports to compete internationally and give coffee a better price internally in cruzeiros; (d) introduce a deflationary element in the Brazilian economy as a brake on inflation; (e) assist agriculture which has been long neglected by Brazil's effort to over-expand industrially; (f) give all types of importers an opportunity to import at least a small amount of their speciality. Only time will tell whether the above may be accomplished.

#### The Effect

40. This is a big problem. The program at first only received eulogistic applause. Criticism and doubts are now being raised as to the enormous inflationary possibilities resulting from such large sums being channelled into the Government Treasury, which might be used for purposes other than exportation and agriculture.
41. The Ex-Superintendent of Money and Currency, Jose Vieira Machado, raises a flag of warning. He points to one possible danger. The private banks drawn upon by importers for large loans will demand re-discounting by the Bank of Brazil. If the latter accepts such discounting with the usual legal restrictions all may go well. Otherwise, an enormous inflation may ensue instead of deflation which is one of the objectives of the Minister.
42. Import Licenses, it is said, may be cornered by a few wealthy firms which control the credits. Naturally, a great deal depends upon the amount of exchange allotted daily by the Director for sale. This is the crux of the whole situation. Criticism has been made to the effect that one firm, such as Matarazzo who, having some 50 associated firms, could bid for all of the exchange available in any one category, but such a situation is subject to control.

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

CONFIDENTIAL



CONFIDENTIAL  
CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

- 8 -

43. Brazil now pays cash, and some time in advance, for all of its imports, a tremendous burden on the country. It not only pays cash at the official rate, but has to provide cash for the enormous premiums to be supplied. The only brake here will be the amount of exchange set up for sale by the Director. Money will become tight - is taken out of circulation, at least, for a certain time. Naturally, all imported products will become much more expensive to the consuming public, at least in the beginning, until the situation crystallizes. The instructions require that the premiums be utilized to pay: (a) bonuses given to the exporters; (b) other exchange requirements of the Bank of Brazil; (c) credits for the farmers, is for agricultural purposes. If used for any other purposes, such as public works, increase in salaries to government employees, the tendency will be always towards inflation. Certainly, it is a historic, dramatic, revolutionary event in Brazil's economy. Watchful waiting is the program. But, as stated, the measure is only transitory.
44. As to its effect on the currency free market, the President of the Bank of Brazil has announced publicly that the Bank has withdrawn all of its support therefrom. Formerly, when Aranha first took office in June 1953, the Bank of Brazil entered the free market (where the dollar was selling at 53) by permitting some of the export bills to be sold therein. The situation was reversed and the cruzeiro strengthened to around Cr 39.00, where it remained for some three months, up until Friday, 10 Oct 53. Today transactions have been recorded at around Cr 50.00 to the dollar.

Publication of Instruction (New Instruction #71)

45. Instruction #70 has now been published, together with a full description of all merchandise in the five categories, in the Diario Oficial (Section I) of 15 Oct 53 (page 17469), which also publishes a new instruction of SUMOC, #71, of 14 Oct 53, which further regulates Instruction #70 to the following extent:
- (a) Proof as to registration of importers will be satisfied by certificates issued by the Customs Authorities, with whom importers are required to be registered.
  - (b) Only the head office of importing firms may represent such firms; branches, agencies, representatives and distributors being excluded from the public bidding.
  - (c) The head office may bid in any of the capitals of the Republic on any one day, but the aggregate of its biddings cannot exceed US\$10 thousand daily.
  - (d) In view of the Treaty with Germany, importers from the latter country may only bid in the Federal Capital of Rio de Janeiro.

First Returns of Bidding

46. We have just received the first returns. Certificates corresponding to imported merchandise in category one were sold at a premium of Cr 27 to the dollar, those corresponding to category two for a maximum of Cr 31 to the dollar, those in category three at a maximum of Cr 41 to the dollar, those in category four at a maximum of Cr 68, and those in category five at a maximum of Cr 105 to the dollar. Note that these premiums are maximum premiums. The certificates for any one category were not sold at the same price, but at various prices or at premiums ranging from Cr 10 to the maximum amount of the bids as stated above. For example, whereas the maximum bid for a certificate corresponding to category one was Cr 27 to one dollar, we know of an importer who secured a certificate for US\$10 thousand, corresponding to category one, at a premium of Cr 16 for each one dollar. This was the best bid reported on last Friday's auction on the Bolsa.

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

CONFIDENTIAL



CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION

- 9 -

Latest on Free Market

47. Modification of the regulations may be expected at any time regarding transactions on the free market. Teodoro Quartim Barbosa, Sao Paulo Banker, one of Oswaldo Aranha's closest collaborators, at present Secretary of Finance of the State of Sao Paulo, in an address to the Federation of Industries in Sao Paulo on 17 Oct 53, stated that the present regulations are not the last word on the subject "but only an intermediary step between total control, as exemplified by CEXIM, and liberty in commerce, which is the real objective of the Minister Oswaldo Aranha".
48. It is interesting to note that the Bank of Brazil is not at present [October 1953] listing quotations on the free market. The last statement of that bank appears in the Jornal do Comercio of 18 Oct 53, which quoted last Saturday's postings of the Bank of Brazil. In relation to the free market, it states: "In view of the fact that operations on the free exchange are in the phase of regulation, there were no operations to register in that market."
49. There is also the recent following statement made by Aranha to Congress, relating to foreign capital and returns thereon, which can only be effected through the free market: "If the purpose was really to increase the level of production, productivity and national income by means of application of capital coming from abroad, it is obvious that the entry of such capital, as well as its return and transfer of respective profits, constitutes a process which should be disciplined, in a manner that both parties may be benefited...I must say to the Chamber that I have already called for a survey and complete analysis of foreign capital, in order to find out exactly the amount which really entered our country, as well as the sectors of its application, for the purpose of adopting a program which takes care of not only our legitimate interests, but also that of the foreign capital itself, which only finds an incentive within a balanced economy, safe from manoeuvres and pure speculation, either internal or external."

- end -

CONFIDENTIAL/US OFFICIALS ONLY - SECURITY INFORMATION